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MEMORANDUM

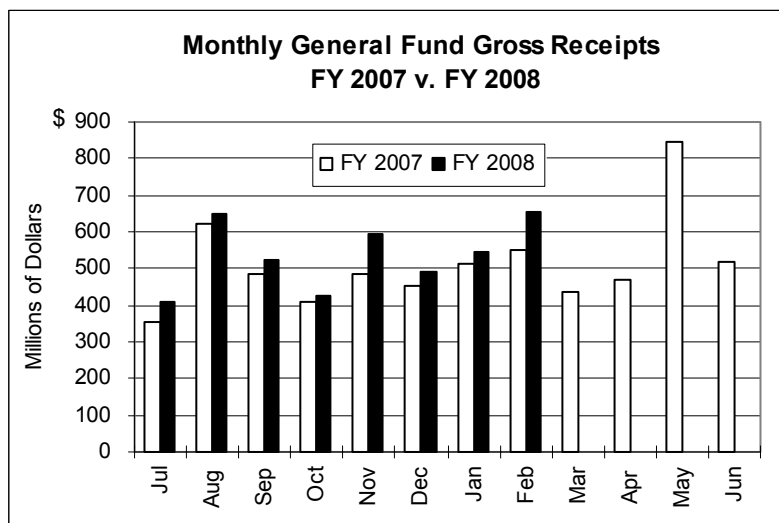
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: March 3, 2008

Monthly General Fund Receipts through February 29, 2008

The attached spreadsheet presents year-to-date FY 2008 General Fund receipts with comparable figures for actual FY 2007. The figures can be compared to the FY 2008 estimate of \$6.563 billion set by the Revenue Estimating Conference (REC) on December 11, 2007. The FY 2008 estimate is an increase of \$424.6 million (6.9%) compared to actual FY 2007 gross cash receipts (excludes refunds, transfers, and accrued revenue adjustments). The next REC meeting is scheduled for April 4, 2008.



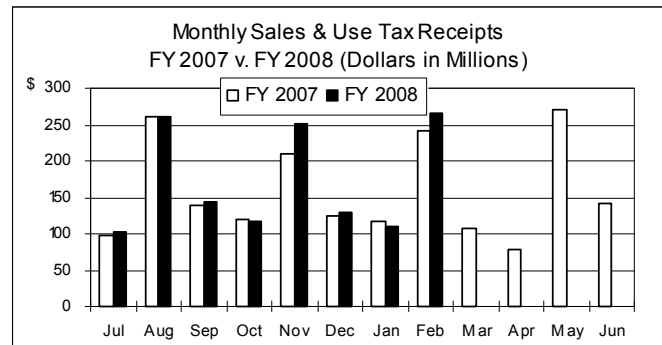
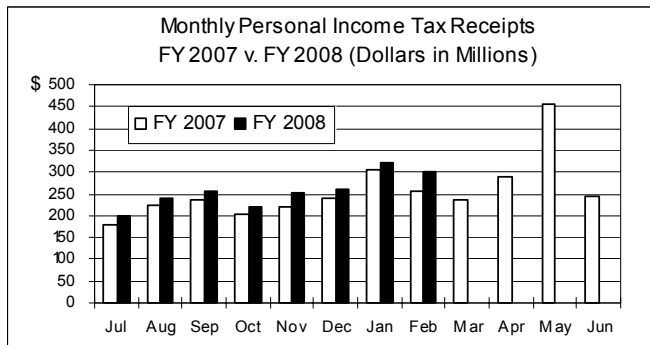
FY 2008 Compared to FY 2007

Fiscal year to date total gross cash receipts increased \$429.4 million (11.1%) compared to FY 2007. Major revenue sources contributing to the change include:

- Personal Income Tax (positive \$184.1 million, 9.9%)
- Sales/use Tax (positive \$64.9 million, 4.9%)
- Corporate Tax (positive \$49.2 million, 20.7%)
- Other taxes (positive \$100.6 million, 48.9%)
- Other receipts (positive \$30.3 million, 12.7%)

Personal Income Tax revenues received in February totaled \$299.4 million, an increase of \$43.3 million (16.9%) compared to February 2007.

The FY 2008 REC Income Tax estimate of \$3.293 billion represents a projected increase of 6.7% compared to actual FY 2007. Year-to-date, total Income Tax receipts increased 9.9%. By subcategory, withholding payments increased \$120.0 million (7.7%), estimate payments increased \$42.2 million (16.0%), and payments with returns increased \$21.9 million (62.0%). The following chart compares FY 2008 monthly Income Tax receipts from the three Personal Income Tax subcategories with FY 2007.



Sales/Use Tax receipts received in February totaled \$265.1 million, an increase of \$22.5 million (9.3%) compared to February 2007. The February increase more than offset the Sales/Use Tax drop experienced in January.

The REC estimate for FY 2008 Sales/Use Tax receipts is \$1.963 billion, an increase of 2.8% compared to actual FY 2007. Through February, FY 2008 Sales/Use Tax receipts have increased 4.9%. The preceding chart compares FY 2008 monthly Sales/Use Tax receipts with FY 2007.

Corporate Tax receipts received in February totaled \$35.6 million, an increase of \$23.1 million (184.8%) compared to February 2007.

The REC estimate for FY 2008 Corporate Tax revenue is \$447.0 million, an increase of 5.3% compared to actual FY 2007. Through February, FY 2008 Corporate Tax receipts have increased 20.7%.

Other tax receipts received in February totaled \$30.1 million, a \$17.0 million increase compared to February 2007. Cigarette and Tobacco taxes contributed \$10.8 million to the increase, due to the mid-March 2007 Cigarette and Tobacco Tax rate changes. The REC estimate for other tax receipts is \$499.8 million, an increase of 37.3% compared to actual FY 2007. Through February, FY 2008 other tax receipts have increased 48.9%.

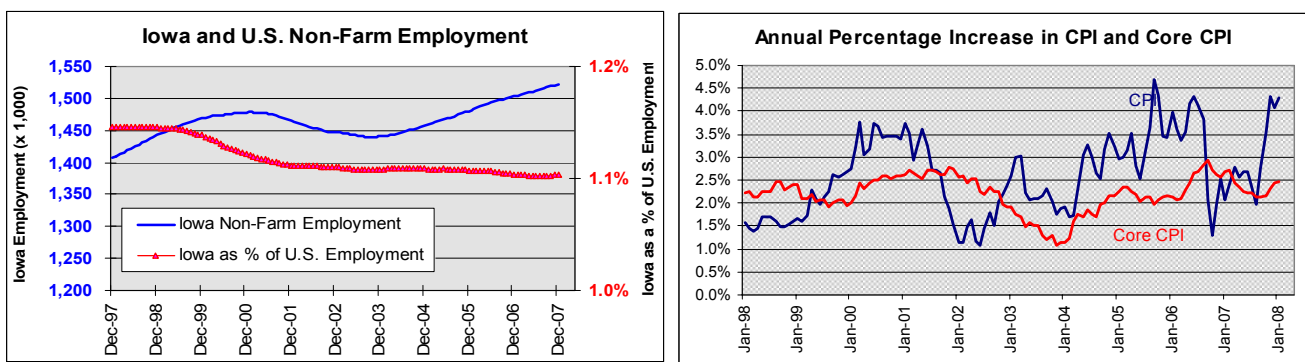
Other receipts (non-tax receipts) received in February totaled \$26.8 million, a \$2.5 million (10.3%) increase compared to February 2007. Judicial Revenue accounted for much of the growth for the month. Interest and fee deposits decreased for the month.

The REC estimate for FY 2008 other receipt revenue is \$359.6 million, an increase of 1.7% compared to actual FY 2007. Through February, other receipts increased 12.7%.

Status of the Economy

Iowa non-farm employment was reported at 1,542,400 for the month of December (not seasonally adjusted), 19,300 higher (1.3%) than December 2006. Please note, January 2008 employment information is not available until March 11, 2008.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was February 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,522,400 so annualized Iowa non-farm employment is 43,700 above its 2001 peak and 82,500 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since early 2002 and despite the past five months showing modest increases, the trend remains negative.



Consumer prices increased 0.5% during January (not seasonally adjusted), the sharpest monthly increase since May 2007. The Consumer Price Index (CPI-U) through January 2007 was 211.1 (1983/84=100). The year-over-year change of 4.3% in January is the third straight month over 4.0%. The overall inflation rate has generally increased since mid-2004, when the price of oil and other commodities started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased in January and now stands at 2.5%. The core inflation rate declined considerably from the early 1990's through March 2004. From March 2004 through September 2006, inflation as measured by core CPI more than doubled, peaking at 2.9%. For the two components excluded from the core rate, energy prices are up 19.6% year-over-year and food prices 4.8%. For food prices, this marks the fastest rate of annual inflation since 1991.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2007 vs. FY 2008 July 1 through February 29 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 07 Actual Compared to FY 08 REC Estimate		
	FY 2007	FY 2008	Year to Date % Change	February % Change	Actual FY 2007	Estimate FY 2008	Projected % Change
Personal Income Tax	\$ 1,866.4	\$ 2,050.5	9.9%	16.9%	\$ 3,085.9	\$ 3,293.0	6.7%
Sales/Use Tax	1,313.5	1,378.4	4.9%	9.3%	1,910.1	1,963.4	2.8%
Corporate Income Tax	237.8	287.0	20.7%	184.8%	424.6	447.0	5.3%
Inheritance Tax	50.1	52.6	5.0%	65.8%	76.0	83.6	10.0%
Insurance Premium Tax	61.9	57.5	-7.1%	214.3%	105.2	118.1	12.3%
Cigarette Tax	58.3	151.7	160.2%	174.6%	122.0	233.2	91.1%
Tobacco Tax	6.3	13.9	120.6%	62.5%	12.1	19.1	57.9%
Beer Tax	9.8	9.9	1.0%	0.0%	14.3	14.6	2.1%
Franchise Tax	19.2	20.4	6.3%	175.0%	33.3	30.2	-9.3%
Miscellaneous Tax	0.2	0.4	100.0%	0.0%	1.0	1.0	0.0%
 Total Special Taxes	 \$ 3,623.5	 \$ 4,022.1	 11.0%	 -2.9%	 \$ 5,784.5	 \$ 6,203.2	 7.2%
 Institutional Payments	 7.7	 9.5	 23.4%	 30.0%	 12.9	 12.9	 0.0%
Liquor Profits	38.8	44.9	15.7%	4.7%	64.8	67.8	4.6%
Interest	21.6	22.0	1.9%	-20.0%	28.7	20.0	-30.3%
Fees	57.3	54.9	-4.2%	-10.1%	84.7	73.2	-13.6%
Judicial Revenue	38.8	55.5	43.0%	67.3%	66.9	89.5	33.8%
Miscellaneous Receipts	17.5	25.7	46.9%	0.0%	35.7	36.2	1.4%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 3,865.3	 \$ 4,294.7	 11.1%	 19.7%	 \$ 6,138.2	 \$ 6,562.8	 6.9%